

Tax Expenditure Review Task Force

Possible Approaches to Identify Potential \$40 Million in Tax Expenditure Savings, as Required in Statute, Through Repeal or Reduction

Approach A –Review tax expenditures impacting General Fund and benefitting business as first priority.

Step 1

Review programs that OPEGA identified as having an “Undetermined” rationale. Determine what rationale categories should be assigned to these programs so they can be captured in the proper review categories going forward.

There are 15 “undetermined” programs. The programs are listed on Pages C1-C2 of the document “OPEGA Analysis of Business Related Programs” (Tab “Undetermined Sales and Use” in the Excel Workbook titled “OPEGA Analysis of Business Related Programs”).

Step 2

Review tax expenditures with General Fund impact associated with forgone income or sales and use tax revenue that benefit business and appear to be focused on incentivizing economic development and other efforts, or supporting economic development, industry competition or interstate competition. Determine whether any should or can be repealed or reduced.

There are 49 programs that OPEGA has already identified would be included in this grouping. Additional programs might be added based on Task Force determinations in Step 1 above. The programs break down as follows:

Category	# of Programs	FY'15 Estimated Revenue Loss	Page # of “OPEGA Analysis of Business Related Programs” where Listed
Business Related Income Tax Expenditures	23	\$44,232,750	D1-D3
Business Related Sales & Use Tax Expenditures	26	\$183,898,370	E1-E3
Economic Development	10	\$49,807,312	
Industry/Interstate Competition	16	\$134,091,058	

Review of these programs can be further prioritized by dollar size and/or rationale. The programs that have forgone revenue of \$1 million or more are listed on Page B1 of the document “OPEGA Analysis of Business Related Programs” (Tab “Large Business Expenditures” in the Excel Workbook titled “OPEGA Analysis of Business Related Programs”).

Step 3 (if necessary)

Review any other programs impacting General Fund and benefitting business. Determine whether any can or should be repealed or reduced.

The Task Force may want to consider whether to forgo reviewing certain categories of these programs at this time if there are any business-related ones included in them. For example, the Task Force may want to forgo review of programs with a rationale of “Conformity with IRS code”, “Necessity of Life”, “Pyramiding” and “Double Taxation”. The Task Force may also want to forgo or delay review of the property tax related expenditure programs given the current, on-going efforts to modify them. OPEGA can provide a listing of programs to review in this Step once the Task Force has made these decisions.

Approach B – Review programs impacting General Fund according to prioritized groupings regardless of whom they benefit.

Step 1

Review programs that OPEGA identified as having an “Undetermined” rationale. Determine what rationale categories should be assigned to these programs so they can be captured in the proper review categories going forward.

There are 15 “undetermined” programs. The programs are listed on Pages C1-C2 of the document “OPEGA Analysis of Business Related Programs” (Tab “Undetermined Sales and Use” in the Excel Workbook titled “OPEGA Analysis of Business Related Programs”)

Step 2

Determine whether to forgo reviewing certain categories of these programs at this time. Categories to consider forgoing are those with a rationale of “Conformity with IRS code”, “Necessity of Life”, “Pyramiding” and “Double Taxation”. The Task Force may also want to forgo or delay the review of the property tax related expenditure programs given the current, on-going efforts to modify them. OPEGA can provide the subset of programs still remaining and a high level categorization of them after these determinations are made.

Step 3

Determine the groupings of programs that should be reviewed together and the priority of those groupings, or combinations of groupings, for review. Examples of potential groupings include:

- Programs with high dollar forgone revenue
- Programs that appear to benefit a specific subset of businesses, organizations or individuals
- Programs with a rationale associated with economic development or business support
- Programs where rationale is somewhat unclear
- Programs that support a particular industry or public policy outcome

OPEGA can provide listings of programs in these groupings by priority once these determinations are made.

Step 4

Review each program grouping in the priority that was established. Determine whether any can or should be eliminated or reduced.

Approach C – Review specific programs impacting General Fund as selected by Task Force members as first priority.

Step 1

Review programs that OPEGA identified as having an “Undetermined” rationale. Determine what rationale categories should be assigned to these programs so they can be captured in the proper review categories going forward.

There are 15 “undetermined” programs. The programs are listed on Pages C1-C2 of the document “OPEGA Analysis of Business Related Programs” (Tab “Undetermined Sales and Use” in the Excel Workbook titled “OPEGA Analysis of Business Related Programs”)

Step 2

Solicit suggestions of specific programs to review from each Task Force member.

Step 3

Determine priority of Task Force discussion/review of each suggested program perhaps by grouping programs with certain commonalities together as suggested in the prior Approaches. OPEGA can provide categorization/high level analysis of these programs.

Step 4

Review each program or grouping in the priority that was established. Determine whether any can or should be eliminated or reduced.